

IMPACT OF THE PANDEMIC ON THE E-COMMERCE & CONSUMER INTERNET INDUSTRY, INDIA TRENDS 2020-22

Anusuiya Mehrotra

Mayo College Girls' School, Ajmer, Rajasthan, India

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ABSTRACT

The current ongoing pandemic has had prominent consequences on the Indian economy. In April 2020, the entire Indian economy was paralyzed by the pandemic induced prolonged shutdowns. While the lockdown steered an all-around reduction in consumer spending, this was partly compensated by a surge in online spending, as customers enhanced the usage of online platforms from the security of their residences. Technology-enabled inventions across digital platforms and analytics-driven customer engagement assisted the development of FinTech, Hyper local Delivery, Logistic Tech Services, Health-Tech advancement and the initialization of EdTech services, accelerating the advancement and expansion in the Consumer Internet and E-commerce sector. This sector mushroomed to serve as one of the quickest thriving sectors of India, even in the pandemic-hit economy. The Indian e-commerce market is anticipated to reach INR7 trillion in 2023, rising at a CAGR of 20% during 2019-23. This white paper discusses the growth in the above-mentioned sub-sectors, the key factors and strategies which led to this advancement, their product categories and the enhancement in investments through private equity, venture capital and mergers and acquisitions. The paper concludes with a study analysis on the future outlook of these industries.

Preface

The current pandemic resulted in one of the world's largest lockdowns and has had a crucial effect on the Indian economy too. The Redseer Strategy Consultants report dated June 2020 claimed that the Indian internet market, which was one of the most growing markets across the globe, saw a 90% downward trend in April 2020, due to the prolonged shutdown of business activities. The greatest fall was in the e-commerce and travel sectors which constitute one of the most prominent sections of the internet ecosystem.

Despite a drastic drop in the gross merchandise value during the preliminary stages of the

lockdown, India’s internet economy is inclined to be a net beneficiary in the long run. The covid-19 pandemic spread over the last two years treating social distancing norms as a priority expedited the data revolution and digital adoption at a rapid rate. The expansion for digital native business spread across several sectors namely- FinTech, Hyperlocal delivery services and logistic tech, online retailing of daily need goods, EdTech, telemedicine and health tech.

According to the Nokia Press Release on 16th February 2022, the data traffic in our nation has increased 60 times and the online shoppers have increased by 175%, during the last five years. The percentage of first- time online users noticed a boost across multiple industries, along with a rise in online activity from tier 2 and tier 3 smaller towns, which demonstrates a big chance for businesses to cater to these cohorts digitally, as the new normal. Small-time retailers and businesses across such cities are now seeking mobile channels, executing online payments and analyzing collaborations with technology-driven start-ups. This growth also navigates the B2B demand for start-ups in the internet and e-commerce segments. Exhibit 1 explains the growth comparison in digital infrastructure across the USA, China, Southeast Asia and India in recent times.

Exhibit 1: India’s growth in the internet and e-commerce sector compared to other economies

Digital infrastructure across key growth economies					
Digital Economy Metrics	USA	China	Southeast Asia	India	
Internet penetration	89%	72%	64%	43%	Huge penetration potential
Internet users growth (2016-21)	8.3%	43%	33.3%	124%	Bharatnet to drive growth
Smartphone growth 2016-21 (no. of connections)	17.0%	30.7%	55.3%	132.2%	Highest-ever smartphone revenue, shipments in 2021
Real-time online transactions 2020	1.2 b	15.7 b	5.6 b	25.5 b	Highest real-time transactions globally in 2020
Retail e-commerce growth 2021	17.9%	18.5%	14.3%	27.0%	Fastest growing e-commerce market; among top 10 in sales
Network Readiness Rank*	4	29	NA	67	Among top 3 countries in lower middle income group

*Network Readiness Rank is based on four pillars of Technology (Access, Future technologies), People (Individuals, businesses, government), Governance (Trust,regulation, inclusion) and Impact (Economy, quality of life)

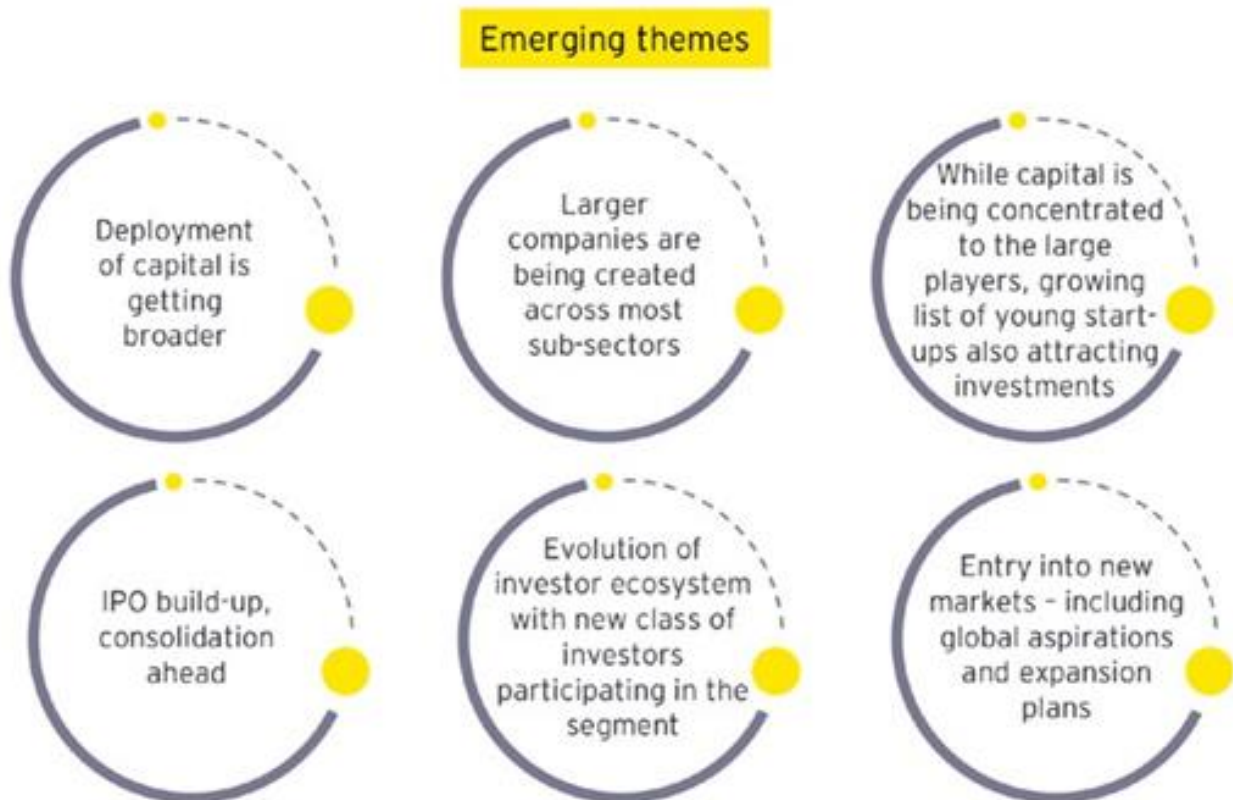
Source: EY India Trends Report 2022

The growth in the internet economy has consequently led to a considerable curtailing of costs of numerous marketing's activities related to manufacturing and distributing goods and services. The pandemic has led to increasing management efficiency, facilitating businesses to regulate their supply chains more productively and discuss more skillfully within the company and with buyers and partners. Further, it has resulted in heightening competition, more transparency in market prices and enlarging markets for both buyers and sellers domestically and adding to

consumer choices.

These aspects not only give rise to India's large market for internet services, but also one of the largest ecosystems for E-commerce and Consumer Internet companies, positioning it as one of the most desirable investment destinations worldwide. Investments in this field in the form of private equity and venture capital have risen greater than 6 times in the last three years, surpassing US\$38 billion in 2021. Propelled by robust support from monetary investors, the Indian start-up-driven internet economy has boomeranged to normal at a sooner rate than the national economy and 2022 is expected to be another spike in India's disruptive digital decade to come. Also with technical innovation and stimulating consumption patterns, this segment continues to be a path breaking one. Exhibit 2 explains the different capital building strategies in the post pandemic era. Exhibits 3, 4 & 5 demonstrate the private equity and venture capital investments, the big ticket size investments and the investment within the Consumer Internet and E-Commerce sectors.

Exhibit 2: Capital building strategies in the 'new normal' market



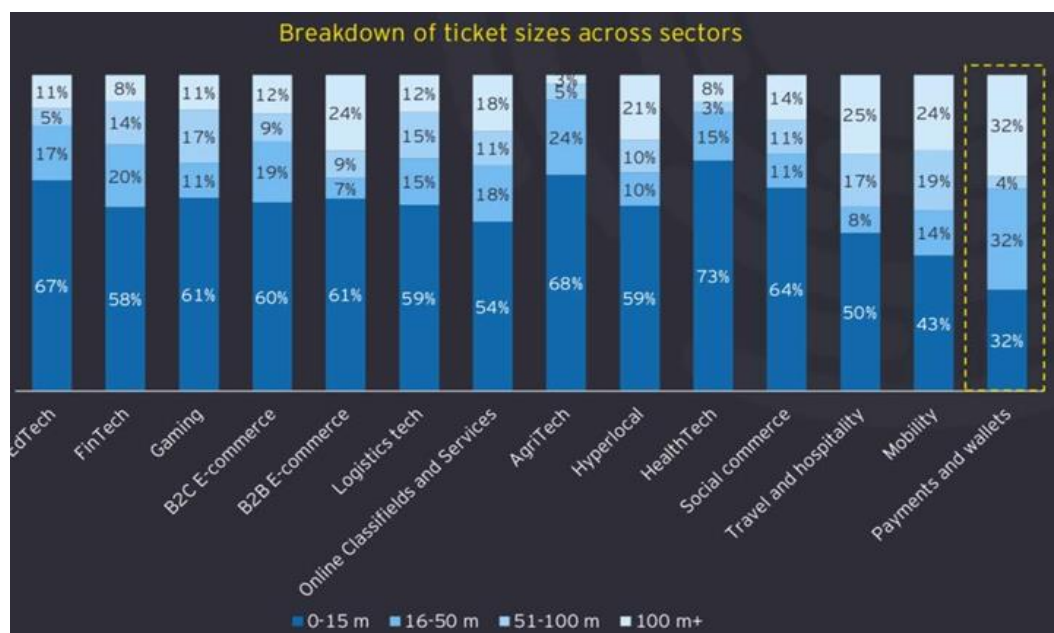
Source: EY India Trends Report 2021

Exhibit 3: The private equity and venture capital investments in India from 2018-20 in the Consumer Internet and E-Commerce sectors

Overall funding summary						
PE/VC Summary						
Sector	2018		2019		2020*	
	\$ of Funding	# of Deals	\$ of Funding	# of Deals	\$ of Funding	# of Deals
Edtech	742	18	325	28	1,833	59
Hyperlocal	1,637	15	617	23	1,642	30
FinTech	348	23	1,391	68	982	63
Social	200	14	481	41	565	53
Logistics Tech	78	10	984	24	463	23
B2C (Horizontal & Vertical)	1,002	32	1,241	45	360	36
Online classifieds and Services	236	11	426	34	417	18
Gaming	104	4	114	10	346	10
Wallets/Payments	564	8	1,275	15	334	21
Mobility	387	16	883	35	252	20
HealthTech	260	22	537	31	236	34
B2B	540	16	923	22	138	22
Travel & Hospitality	1,026	8	1,152	19	131	10
Agritech	41	1	156	14	49	17
Others	229	16	163	20	435	28
Total	6,652	196	10,341	401	8,183	444

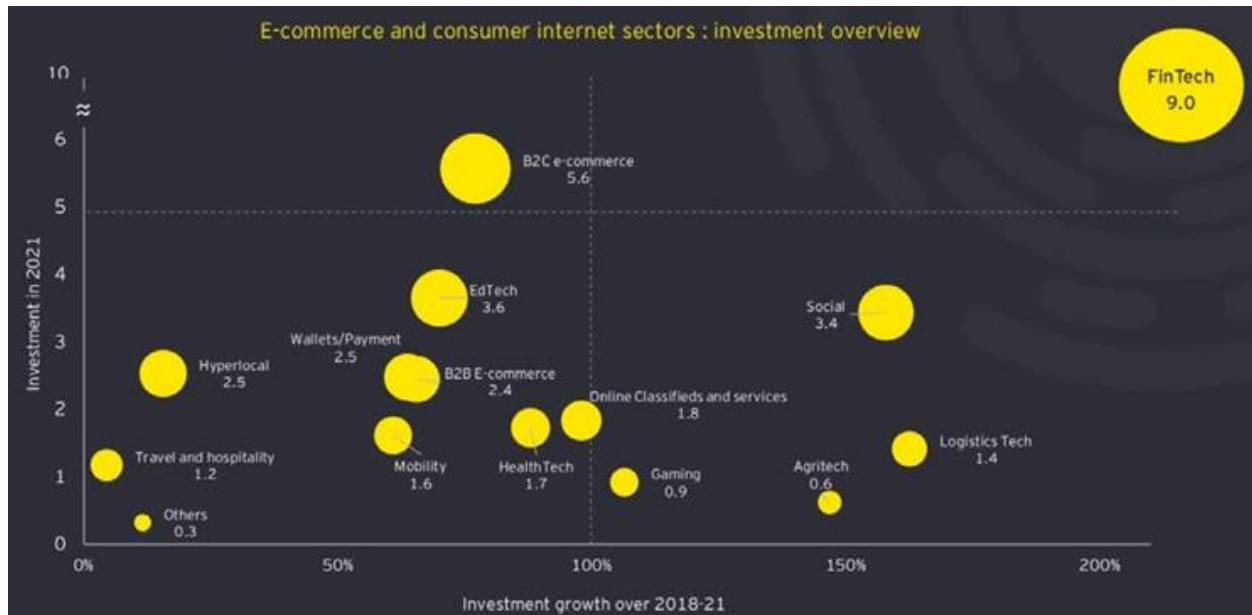
Source: EY India Trends Report 2021

Exhibit 4: Growth in the big size ticket investments in the Consumer Internet and E-Commerce industry in India from 2020-21



Source: EY India Trends Report 2022

Exhibit 5: The FinTech industry in India is the biggest and fastest expanding sector in terms of private equity and venture capital investments



Source: EY India Trends Report 2022

Factors Which Lead To The Growth Of Consumer Internet And E-Commerce In India

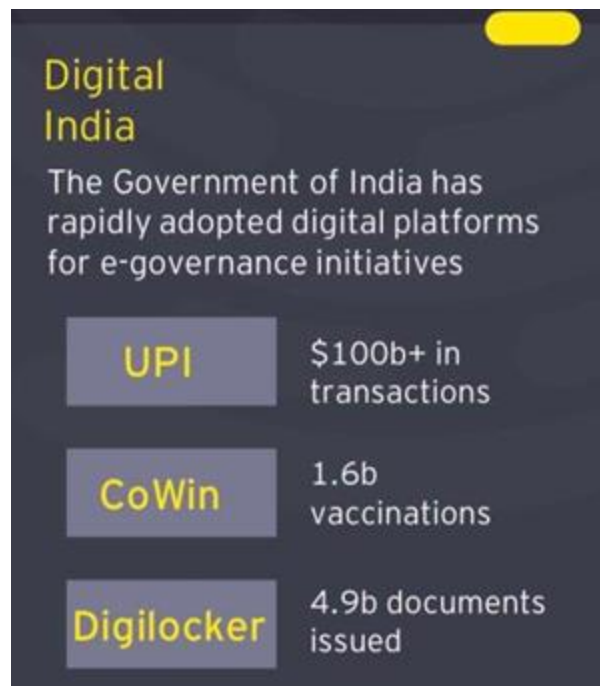
The Consumer Internet and E-Commerce in our nation has mushroomed to become one of the timeliest cultivating sectors, even in the pandemic-hit economy. According to the Global Data Report dated May 2020, the e-commerce market in India is expected to reach INR7 trillion in 2023, growing at a CAGR of 20% during 2019-23. This growth has been due to the evolution in technology in the fields of digital payments, hyper-local logistics, analytics-driven customer engagement, government initiatives and digital advertisements. Listed here are a few key trends which over the last two years have taken forward the advancement of this upcoming sector in the future too.

Evolving digital technology: E-commerce investors finance technological innovations to cater to the swelling volume of clients. New digital technologies like artificial intelligence, machine learning, internet of things and big data analytics, are enabling the usage of chatbots, facial image recognition and voice-enabled search engines are assisting to tap the local masses that are not well versed in the English language or are not well educated, to provide promising customer services. For example, the food delivery start-up Swiggy is leveraging data science to optimize its logistics, delivery services and merchandise management through prognostic demand forecasting to provide its clients with an enriched customer experience.

Innovation of super apps: Experienced internet performers create super apps, by drawing numerous segments onto a sole platform which functions as a gateway to shoppers, motivating constant consumer interaction with the platform and by proposing outcomes for their day-to-day requirements. The Indian super app space is being scrutinized by multinational innovators, domestic start-ups and conglomerates like the Tata Group and Reliance as they foray into numerous customer sections - e-commerce, FinTech, telemedicine, etc.

Public authority's endeavors: The Indian Government is making attempts to develop a cashless economy, improve broadband connectivity and adopt e-commerce digital platforms to revamp conventional offline markets. It is establishing numerous programs to stimulate the e-commerce industry, namely Start-up India, Digital India, Skill India, Innovation Fund and BharatNet. Several regulatory reforms like the Consumer Protection Rules 2020, the new draft e-commerce policy and the national retail policy demonstrate the government's propensity toward constructing this growth in the future. Exhibit 6 depicts e-governance digital platforms.

Exhibit 6: Digital platforms for e-governance in India



Source: EY India Trends Report 2022

Increase in the direct-to-consumer (D2C) sector: Numerous business groups are concentrating on the D2C technique, selling and delivering goods and services directly to customers eliminating intermediaries like third-party sellers, wholesalers and distributors and leveraging

digital or online channels. This strategy of selling has been growing among FMCG, electronics, furniture, apparel and luxury goods. This selling technology helps firms to enhance profits and revenue earnings, improve personalization keeping in mind consumer behavior patterns and take direct charge of digital payments.

Evolution of omni-channels: The evolving consumer demand and considerable competition from e-tailers is stimulating brick-and-mortar retailers to undertake their omni-channel techniques, develop websites and connect with buyers seamlessly through their channel of preference. With global lockdowns and social distancing norms, numerous small and medium companies are also ramping up their online presence.

Exhibit 7: Rising digital consumers and first-time digital businesses in India during the covid-19 era



3. “How can digital government connect citizens without leaving the disconnected behind?,” EY, accessed 16 February 2022

4. “One in two corporates in India have a digital transformation strategy in place: Report,” The Hindu Business Line, accessed 28 February 2022 “Small businesses up digital quotient: Kantar,” The Economic Times, accessed 28 February 2022

“State of Kirana Retail in 2020,” SnapBizz, February 2021

Source: EY India Trends Report 2022

Multiple Industrial Sectoral Opportunities Data Analysis Due ToThe Pandemic

This research paper analyzes the impact of the pandemic on various sectors within the

Consumer Internet and E-Commerce industry, namely - EdTech, FinTech, Logistic Tech, Hyperlocal and Health Tech.



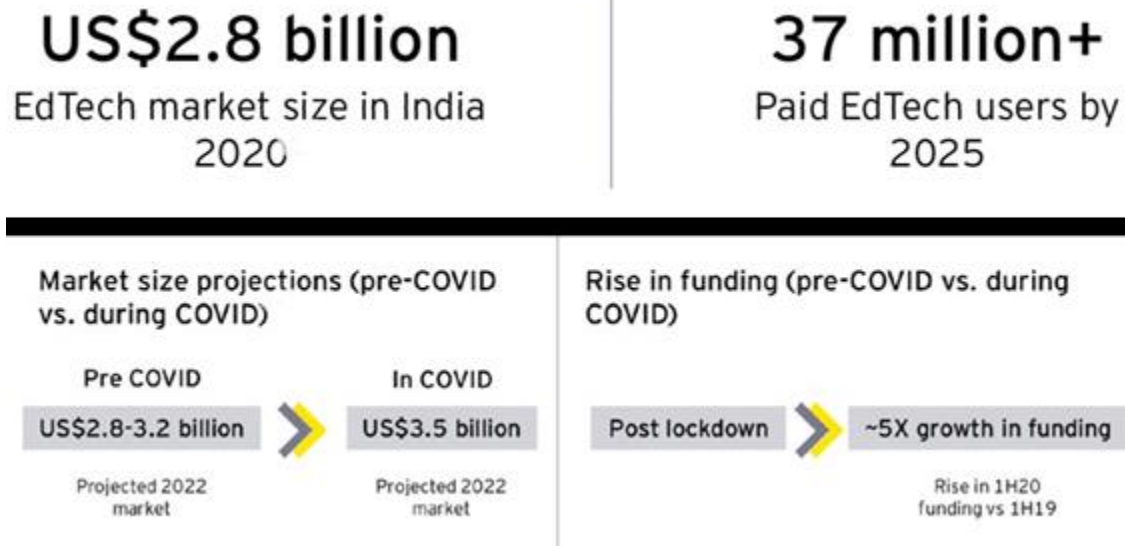
EdTech Challenging Conventional Education Strategies

The education sector within India has expanded considerably over the previous years. However, it faces several hurdles and challenges such as a shortfall of teachers and an unbalanced ratio of teaching faculty. About 0.4 million schools have less than 50 students each and a maximum of only 2 teachers.

Constrained due to the ongoing pandemic and the successive prolonged lockdowns, an infinite number of students have been confined to their domestic environment and the necessity in shifting towards online education was apparent. Also, post the peak of the pandemic a hybrid model of education has accelerated the expansion of EdTech companies in India and such situations led to the required boost for this sector.

The pandemic has stimulated the growth of the Indian EdTech industry, as the market size of EdTech in India is estimated to grow 3.7 times in the next five years, from US\$2.8 billion in 2020 to US\$10.4 billion by 2025. Refer to exhibit 8 for further details. Exhibit 9 demonstrates the primary factors navigating the growth of EdTech in India.

Exhibit 8: EdTech Indian market size in 2020-22, rise in EdTech funding and paid EdTech users by 2025



Source: EY India Trends Report 2021

Exhibit 9: Key factors contributing to the growth of EdTech

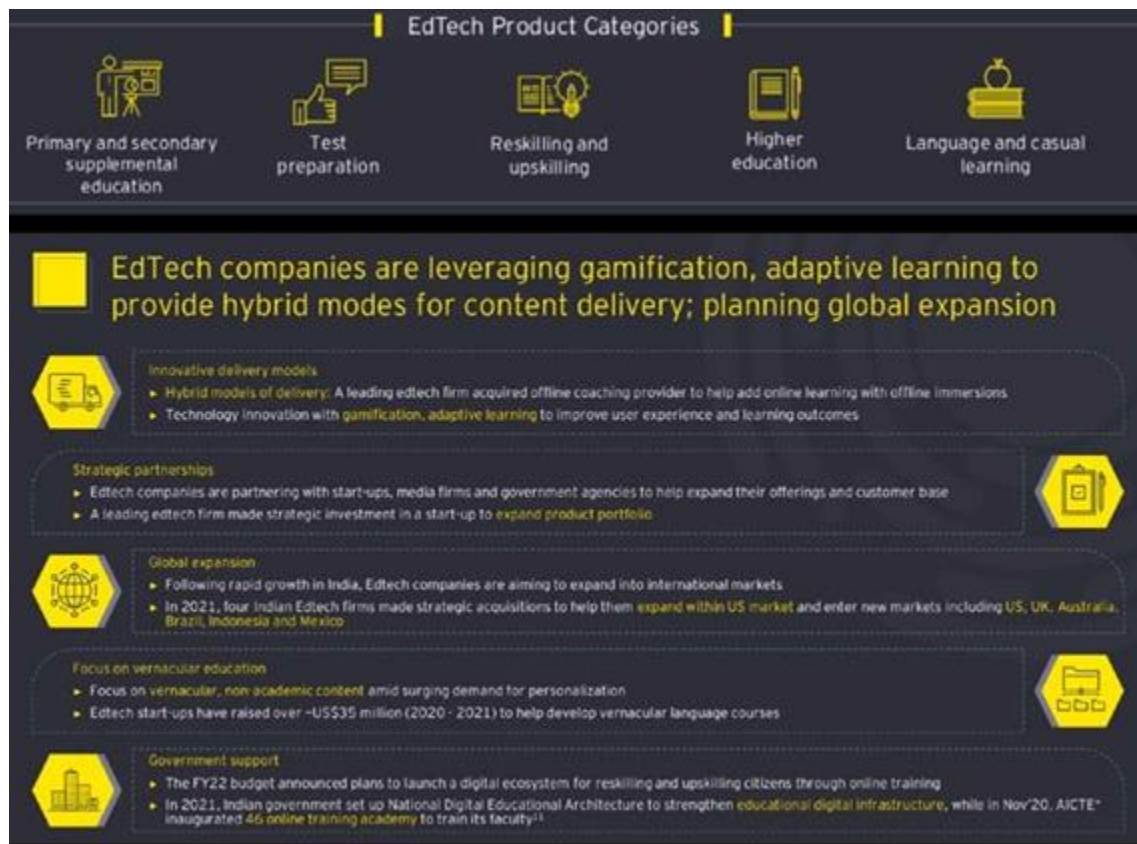
Key market drivers

- ▶ Increased internet penetration
- ▶ Availability of smartphones
- ▶ Growth of B2B segment
- ▶ Cost effectiveness in online learning
- ▶ Government push for e-learning

Source: EY India Trends Report 2022

The consequences related to the development of the EdTech sector are not only evident from the surge in EdTech adoption but also from the favorable investor impetus anticipating enormous market opportunities in this field. Start-up EdTech companies namely- Byju's, Udacity, Vedantu and Edureka are formulating the usage of advanced technologies in the field of artificial intelligence, virtual reality and analytics to design interactive, gamification-based learning opportunities, new learning methods for test preparation and user-friendly one-stop knowledge banks, personalized assessment and career counseling, extending the accessibility and reach of the education system via online channels. Exhibit 10 depicts the EdTech product types and their adaptive learning strategies.

Exhibit 10: EdTech product categories and teaching techniques

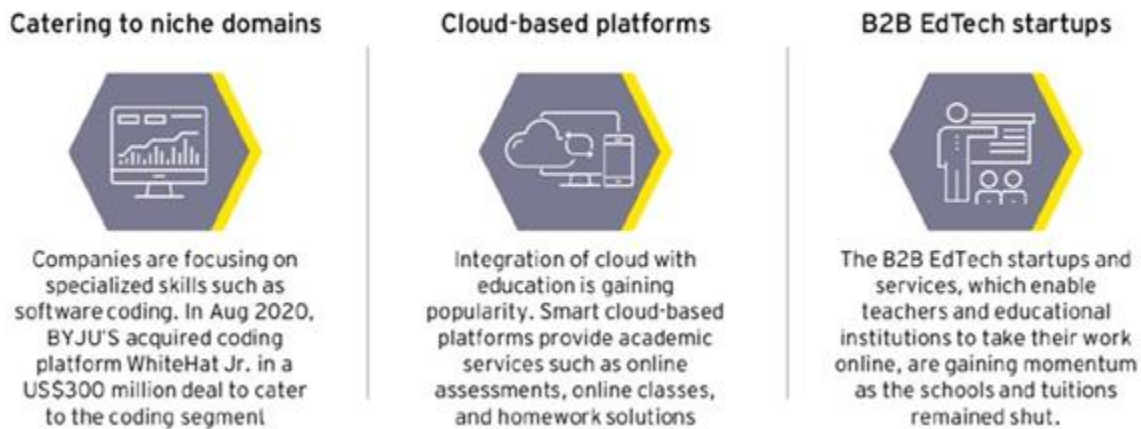


Source: EY India Trends Report 2022

EdTech players are developing learning techniques in regional languages. Vernacular online education is one of the biggest trends, as only 10% of India's population can speak English. Online start-ups are now investing in digital platforms to teach, train and engage Indian teaching faculty to adapt to e-learning platforms to up skill themselves. Exhibit 11 explains a few such

strategies.

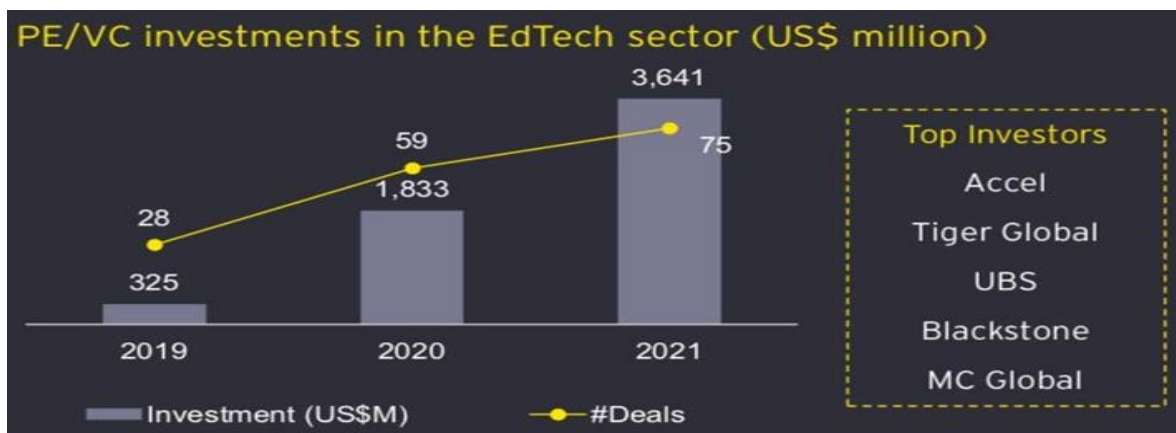
Exhibit 11: EdTech growing strategies



Source: EY India Trends Report 2021

According to the Ernst and Young India Trends Report 2022, in the year 2021, EdTech firms generated 2 times increments in private equity and venture capital funding and observed a 4 times enhancement in M&A activities, as compared to 2020. This consequently led to the generation of new Unicorns during 2021-2022. India's EdTech startups rose over US\$2.2 billion in funding in 2020, with BYJU'S alone accounting for US\$1.4 billion and BYJU'S became the world's largest EdTech startup. Following their instantaneous success in the domestic market, other Indian EdTech companies made strategic acquisitions for their expansion in international markets. Exhibits 12 & 13 explain this in detail.

Exhibit 12: Private equity and venture capital investments in the Indian EdTech sector from 2019-21

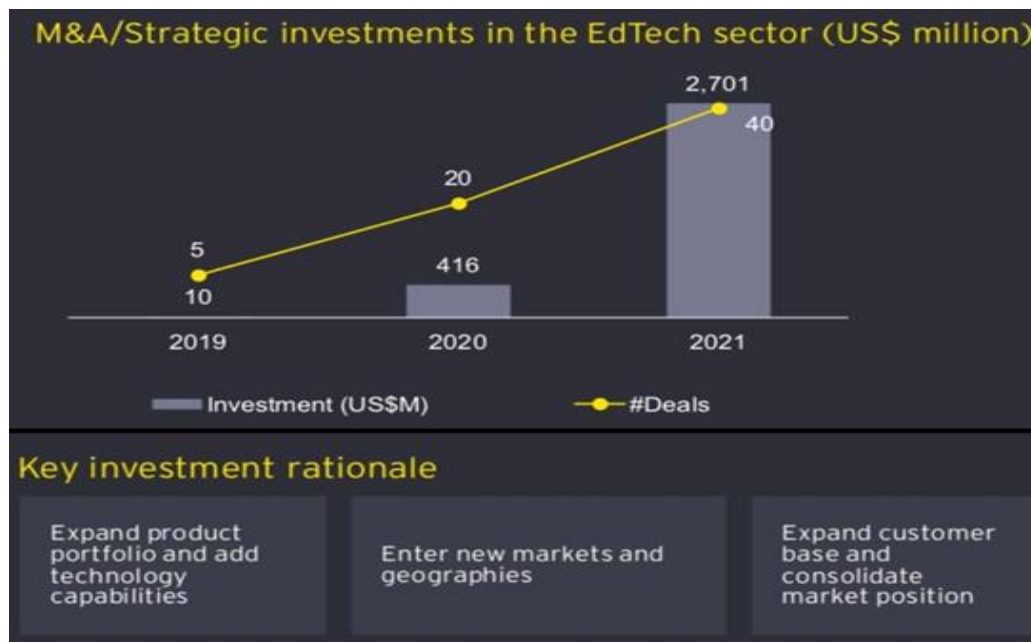


Key PE/VC deals in EdTech sector in 2021

Target and funding	Investors
Eruditus US\$650 million	CPP Investment Board, Accel India Management, SoftBank Vision Fund 2, Chan Zuckerberg Initiative, Leeds Illuminate Global Fund, Prosus Ventures, Sequoia Capital India Advisors
Byju's US\$460 million	MC Global Edtech Investment Holdings, B Capital, Baron Global Advantage Fund, XN Exponent Holding, Arison Holdings, TCDS, and TIGA
Sorting Hat US\$440 million	Tiger Global Management, General Atlantic, SoftBank Fund 2, Temasek Holdings, Aroa Ventures, Mirae Asset Global Investments, Dragoneer Investment, Deepinder Goyal
Byju's US\$400 million	UBS, Blackstone, ADQ, Phoenix Rising, Eric Yuan, IIFL, Maitri Edtech
Byju's US\$296 million	Oxshott Venture Fund, Edelweiss, IIFL, Veriton Fund, XN Exponent Holdings, and MarketX Ventures

Source: EY India Trends Report 2022

Exhibit 13: Mergers and acquisitions in the Indian EdTech sector from 2019-21



Key M&A/Strategic investments in EdTech sector in 2021

Target and funding	Acquirer	Deal Value
Aakash	Byju's	US\$1 billion
Great Learning	Byju's	US\$600 million
epic	Byju's	US\$500 million
Tynker	Byju's	US\$200 million
Toppr	Byju's	US\$150 million
Toppr	Upgrad	US\$53.2 million

Source: EY India Trends Report 2022



FinTech Building Future Banking Technology

With the rising penetration of smartphones, expansion of digital infrastructure and across-the-board streamlining of financial processes in numerous businesses, the future of the Indian FinTech industry appears to be promising. In 2020, India stood among the top few worlds' emerging markets with a FinTech adoption rate of 87%.

Digital lending, mobile phone banking systems, WealthTech, InsurTech, purchase now pay later and additional FinTech concepts have started to be used within our country and there are 1,000+ FinTech start-ups in India spread across these diverse functions. The Indian government's emphasis on developing a cashless economy and the Reserve Bank of India's adoption of blockchain to accelerate the launch of a digital currency system has further boosted this sector.

Unified Payment Interfaces have soared with online banking transactions. Indian FinTech leaders such as PayTM, PhonePe and Zerodha have observed exponential expansion in user activity using digital solutions for their banking, payment and investing needs. Exhibit 14 depicts the factors which led to the growth of the FinTech sector in India. Also the demonization of all Rs.500 and Rs.1000 currency notes in India in 2016 helped to boost this sector.

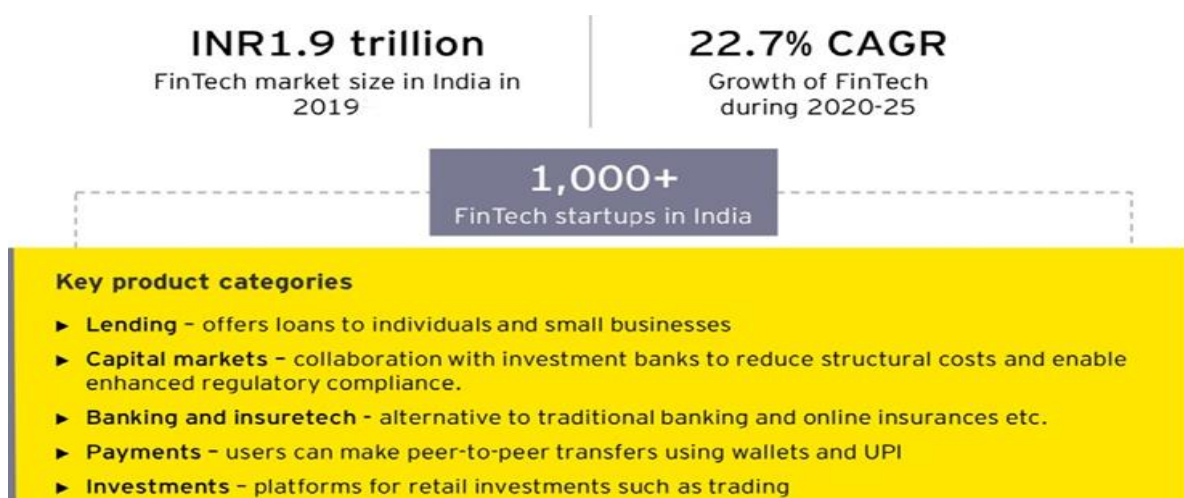
Exhibit 14: Factors promoting the growth of the FinTech sector in India



Source: EY India Trends Report 2022

The total investments in the Indian FinTech sector are greater than US\$10 billion for the period 2016-20. Out of 21 unicorns in India, around 33% of them are FinTech firms. PayTM is the biggest valued unicorn, at US\$16 billion. Exhibit 15 depicts the size of the FinTech Indian market, its forecasted growth rate and multiple types of FinTech product categories.

Exhibit 15: Size of the FinTech Indian market in 2019, its forecasted growth rate during 2020-25 and FinTech product types



Source: EY India Trends Report 2021

Due to the current pandemic and social distancing norms, Indian FinTech is likely to achieve strong sustainable growth. While some FinTech subsectors like the MSME digital lending are confronting interim downturn, other sectors like mobile payments, and InsurTech have soared due to customers going digital amidst the pandemic. Exhibit 16 explains this concept in greater depth.

Exhibit 16: Pandemic impact on the Indian FinTech industry

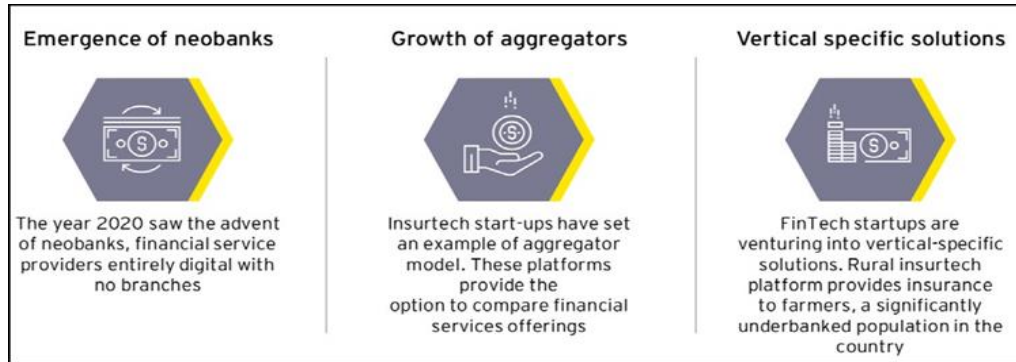
Vertical ¹⁶	Growth since FY18	COVID Impact	Growth potential (Until FY22)
Mobile Payments	>200%	↑	~60%
Insurtech	>100%	↑	~70%
MSME Digital Lending	>70%	↓	~70%
Wealthtech	NA	↑	45%

16- India FinTech – Poised for a strong recovery post-COVID, Redseer Source: EY India Trends Report 2021

In June 2020, our nation has arisen as Asia's biggest destination for FinTech deals. Also during the pandemic, India witnessed a 60% YoY growth in FinTech investments. Over 67% of FinTech firms have been established in the last five years.

Rising ticket sizes and higher demand from Tier-II, III and IV markets with promising risk management and service-delivery models, buy now pay later the new generation consumer lending products, the introduction of micro-lending platforms, the launch of the Digital Rupee based on blockchain, WealthTech start-ups delivering personal finance management and digital brokerage services along with financial research and Robo advisors, InsurTech leveraging artificial intelligence and machine learning to create customized product segment and the emergence of neo banks has led to the further growth of the Indian FinTech sector. As the Indian FinTech sector grows mature, FinTech start-ups are experimenting into niche techniques to facilitate innovative solutions, some of which are discussed in exhibit 17.

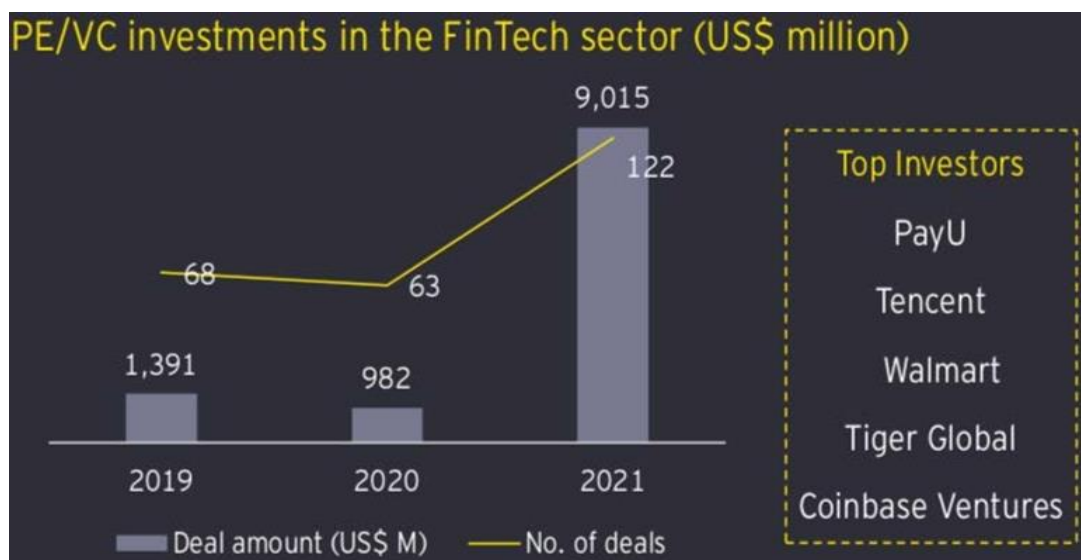
Exhibit 17: Innovations in the FinTech sector



Source: EY India Trends Report 2021

In 2021, the FinTech sector in India witnessed a 10 times increase in private equity and venture capital investments. India also accounted for four out of top 10 FinTech deals in the Asia-Pacific region in 2021. While digital payment and lending tech received the majority of its funding in 2021, Insurtech is anticipated to observe immediate expansion propelled by enhanced adoption of non-life insurance covering health, education and vehicle. Exhibits 18 & 19 explain this in detail.

Exhibit 18: The growth in the private equity and venture capital investments in the Indian FinTech sector from 2019-21, the segments which received the majority of funds, their strategies and the key strategic investments made





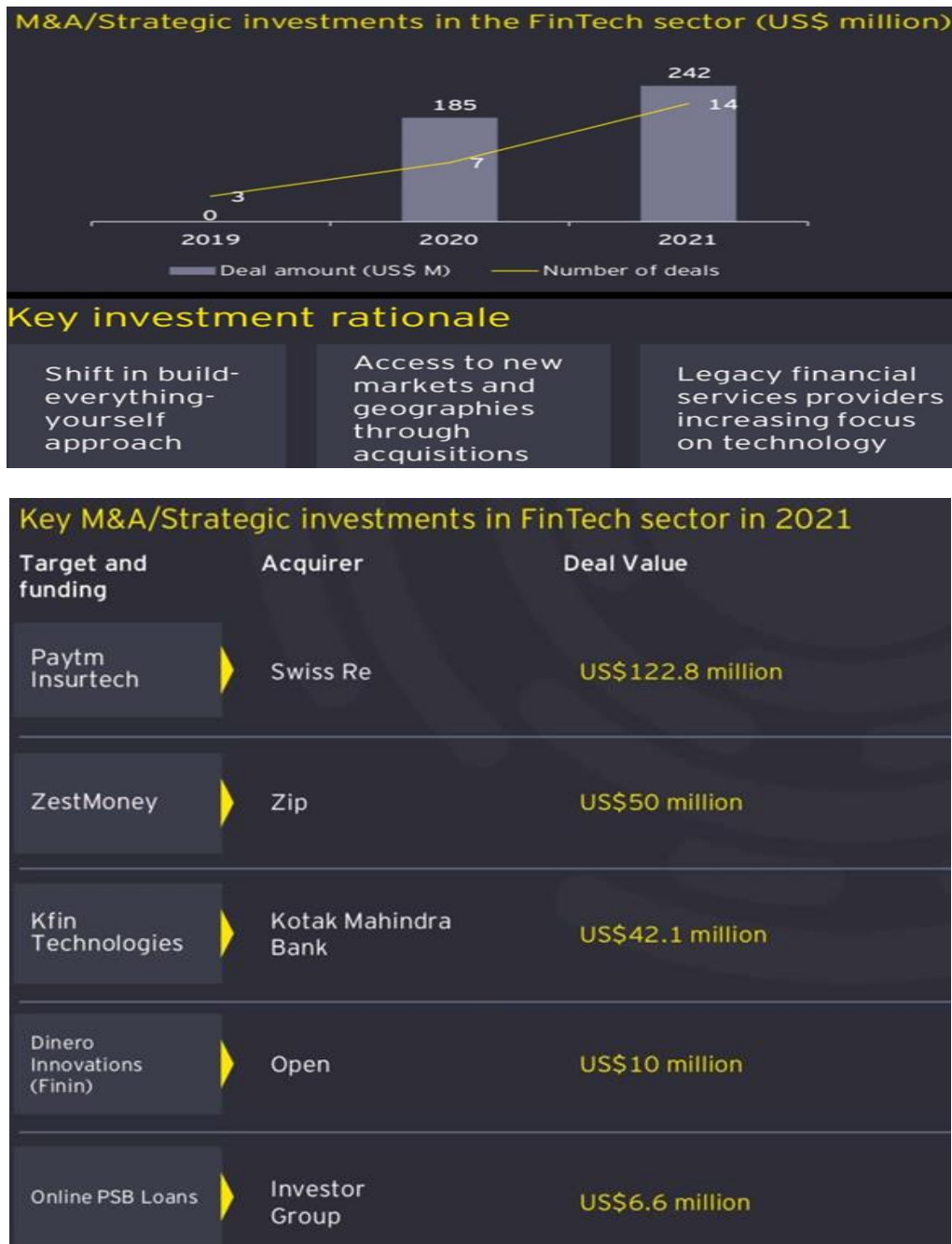
Key PE/VC deals in FinTech sector in 2021

Target and funding	Investors
Indialdeas.com US\$4700 million	Prosus NV (PayU)*
PhonePe US\$350m million	Walmart, Tencent, Tiger Global
Bitcipher Labs US\$260 million	Coinbase Ventures, a16z, Tiger Global, Sequoia Capital India and Paradigm
Acko Technology and Services US\$255 million	Intact Ventures Inc., Munich Re Ventures, General Atlantic, Multiples Private Equity Fund, CPP Investment Board, Lightspeed Venture Partners IX
NextBillion Technology US\$251 million	Steadfast Capital GmbH, Lone Pine Capital, Alkeon Capital Management, LLC, Iconiq Capital, Propel Venture Partners, Ribbit Capital, Sequoia Capital India Advisors, Tiger Global Management, Y Combinator Continuity Fund

** Considered under PE as investment is done via holding company*

Source: EY India Trends Report 2022

Exhibit 19: The growth in the mergers and acquisitions investments in the Indian FinTech sector from 2019- 21, the segments which received the majority of funds and the key strategic investments made



Source: EY India Trends Report 2022

With expansion in innovation strategies, comfort of implementation of super apps and wider Wi-Fi support, FinTech is expected to dominate the Indian digital wallet and payment systems. The improvement of an open banking ecosystem will boost the demand for digital financial services.

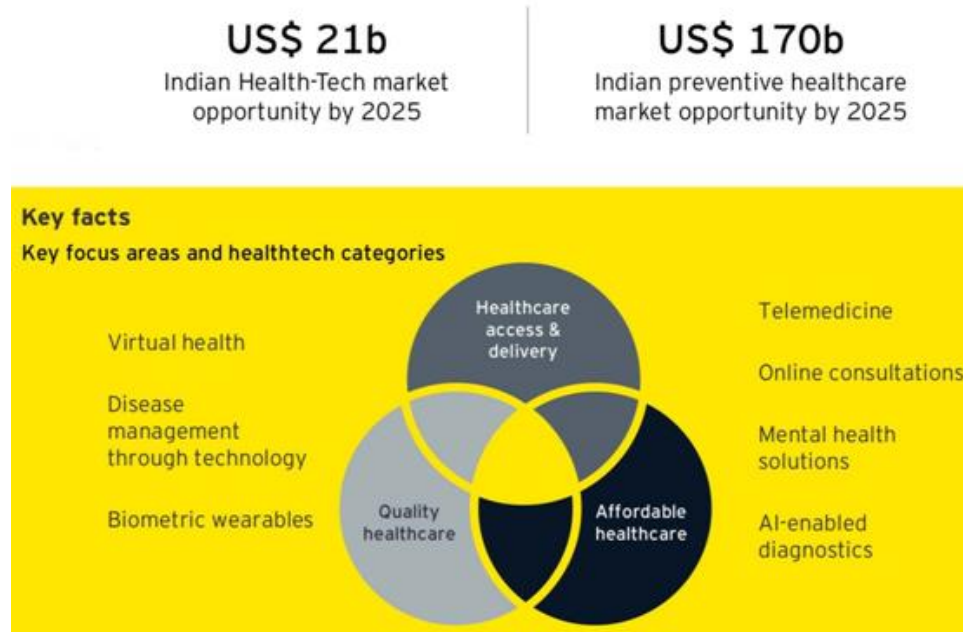


Health-Tech Restructuring The Indian Healthcare Services

In India, the doctor-to-patient ratio is 1:1596 which is lower than the WHO standard 1:1400. Within the Indian healthcare scenario, hospitals are functioning at their full capacity, doctors are overworked and patients are unable to get the primary healthcare services they require. Hence, there is tremendous potential lying ahead for Health-Tech start-ups in the country. Technology-based remedies namely- telemedicine, artificial intelligence and machine learning-based diagnostic analysis and digital health records play an important function in reviving the fragmented public healthcare system.

The current pandemic with the rising demand for supplementary medical support has heightened the gaps in the Indian healthcare system and also acted as a catalyst to accelerate openings for Health-Tech companies to deal with these gaps. Domestic Health-Tech start-ups have launched telemedicine and online pharmacy in India, with telemedicine at the top with a CAGR of 31% and an anticipated market value of US\$ 5.5b by 2025. Exhibits 20 & 21 demonstrate the estimated size of the Health-Tech market in India and its product classifications

Exhibit 20: Health-Tech market in India by 2025 and its various product categories



Source: EY India Trends Report 2021

Exhibit 21: Health-Tech product types



Source: EY India Trends Report 2022

Due to the limited access to diagnostic centers, during the pandemic and lock down periods, several patients adopted online medical consultancy. A report by Practo demonstrates that at least 50 million Indians opted for online healthcare from March to May 2020 (the national lockdown period) recording a 500% expansion in online medical consultations by patients above the 50 years age group and 80% of these patients were first-time telemedicine users and 44% were from non-metro cities.

During the lockdown period, gyms and fitness studios were shut down and their digital presence in the form of virtual classes allowed members to access these services from their homes. Hence, this promoted home fitness apps and between Q1 and Q2 2020, health and fitness app downloads

grew by 157% and daily active users for these apps rose by 84% in India. Exhibit 22 explains this data diagrammatically.

Exhibit 22: Covid impact on the Indian Health-Tech sector



Source: EY India Trends Report 2021

Digital technology played a critical role to make healthcare available and affordable for the common masses. Health-Tech start-ups earned a strong foothold as the current pandemic propelled the approval of online medicine delivery services, telehealth check-ups and remote patient monitoring. More than 85% of doctors adopted teleconsultation platforms leading to enhancement in teleconsults by 300%, with a rising demand from non-metro cities. During the covid era, e-pharmacy online customers increased to 9 million households from 3.5 million households before the pandemic and it is estimated that 70% of e-pharmacy users are willing to stick to the online platforms. Shifting the customer standpoint towards digital healthcare services, public endeavors and usage of next-gen technologies by Health-Tech companies are some key factors which propel growth within the Health-Tech spaces. Exhibit 23 highlights the factors which have led to the development of the Health-Tech industry in India.

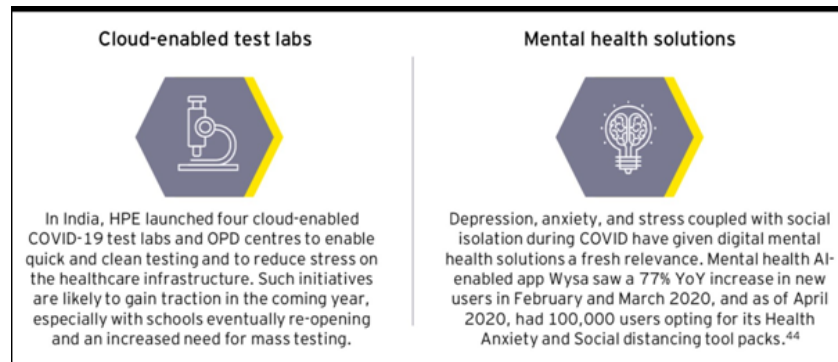
Exhibit 23: Key market driving forces in the Health-Tech sector



Source: EY India Trends Report 2022

Health-Tech firms are concentrating on digital technology adoption strategies for extra security, efficiency and interoperable data administration, leveraging disruptive operating models, enhanced diagnosis and personalized healthcare. Some such examples are stated in exhibit 24.

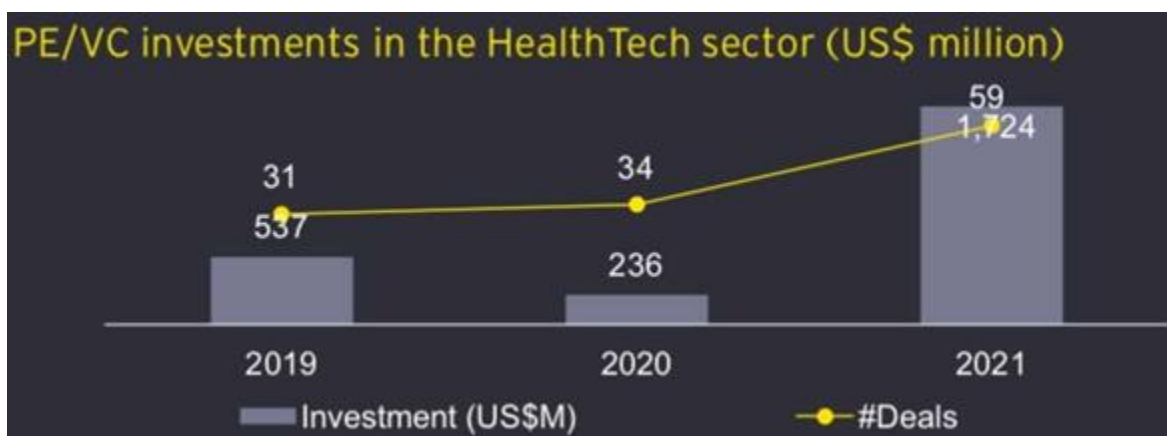
Exhibit 24: Digital health technology



Source: EY India Trends Report 2021

Health-Tech start-ups developed during the pandemic and attracted investors' attention. India positions itself on the fourth position globally for venture capital investments and the funding in this sector will be enhanced by 630% in 2021. In mergers and acquisitions actions, this sector observed two fold growths in 2021 as compared to 2020. India's Health-Tech market is valued at US\$2 billion, which is less than 1% of the total healthcare industry, demonstrating a vast untapped market within this sector. Also, funding in this sector has expanded threefold in the last three years reflecting the heightening the interest of investors in this sector. Exhibit 25 & 26 explain this concept in-depth.

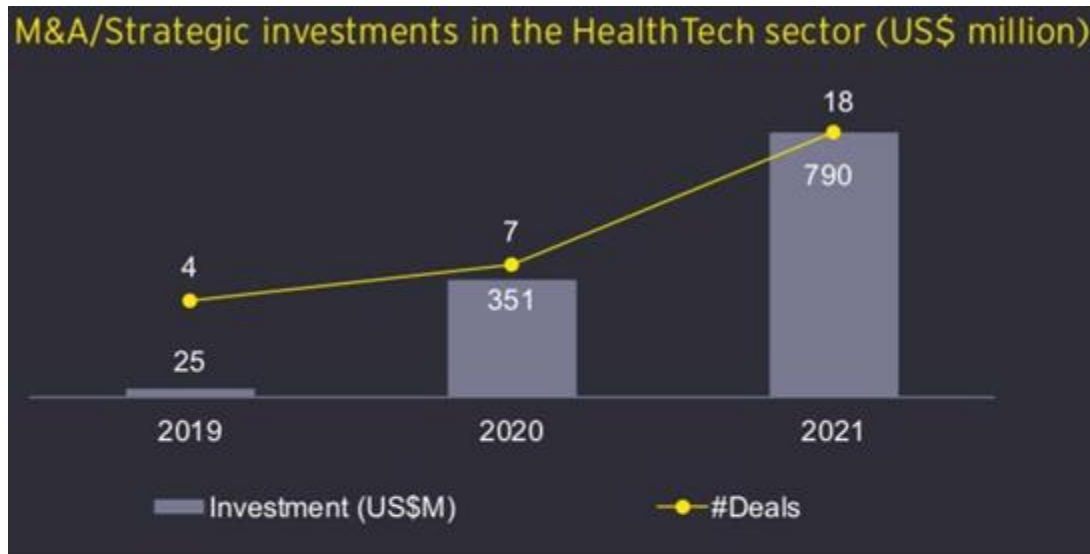
Exhibit 25: Private equity and venture capital investments in the Health-Tech sector from 2019-20, top investors and top segments in the industry and key deals in 2021





Source: EY India Trends Report 2022

Exhibit 26: Mergers and acquisitions investments in the Health-Tech sector, the focused strategies and key deals in 2021



Key deal rationale

Creating integrated digital ecosystem addressing consumer needs

Expanding product portfolio in adjacent segments

To facilitate, enable and promote efficient supply chain and distribution IT ecosystem

Key M&A/Strategic investments in HealthTech sector in 2021

Target	Acquirer	Deal Value
1mg	Tata Digital	US\$230 million
Aknamed	Pharomeasy	US\$190 million
Curefit	Zomato	US\$100 million
Curefit	Tata Digital	US\$75 million
Fitso	Zomato	US\$50 million

Source: EY India Trends Report 2022

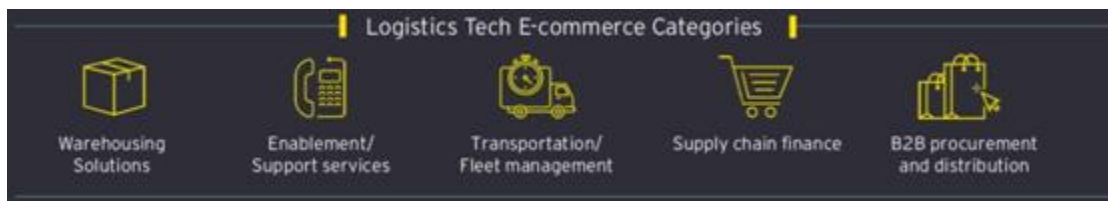
The advent of smart health will enhance quality patient care, promote personalized healthcare and wellness services, and upgrade access, affordability, and lower medical costs.



Logistics Tech Total Optimization

The conventional Indian logistics sector is majorly fragmented and unorganized in its composition and only 10% of the market share of firms within this industry is organized. With the inception of surging internet usage, Logistic Tech has been expanding its domain and facilitating clients to book logistics services as per their comfort. Exhibit 27 explains the Logistics Tech product types.

Exhibit 27: Logistics Tech e-commerce classifications



Source: EY India Trends Report 2022

The Indian government has been involved in reforms and investment in the logistics sector. According to the Indian Ministry of Commerce & Industry it is anticipated that by 2025 the investments in this sector will reach US\$500 billion annually. The logistics sector is a significant enabler in achieving economic growth in India, and the logistics costs in India are at 14%

compared to a world standard of 8%, which is among the highest globally, developing a competitiveness void of US\$180 billion per year.

In 2021, the E-commerce Logistics market worth was estimated at US\$211 billion. This expansion in this sector is due to altering shopper shopping tendencies from brick and mortar stores to online shopping experiences and the growing expectations for rapid delivery services. Exhibit 28 depicts the primary factors which have led to the growth in the Logistics Tech sector.

Exhibit 28: The key market forces for the growth in Logistics Tech



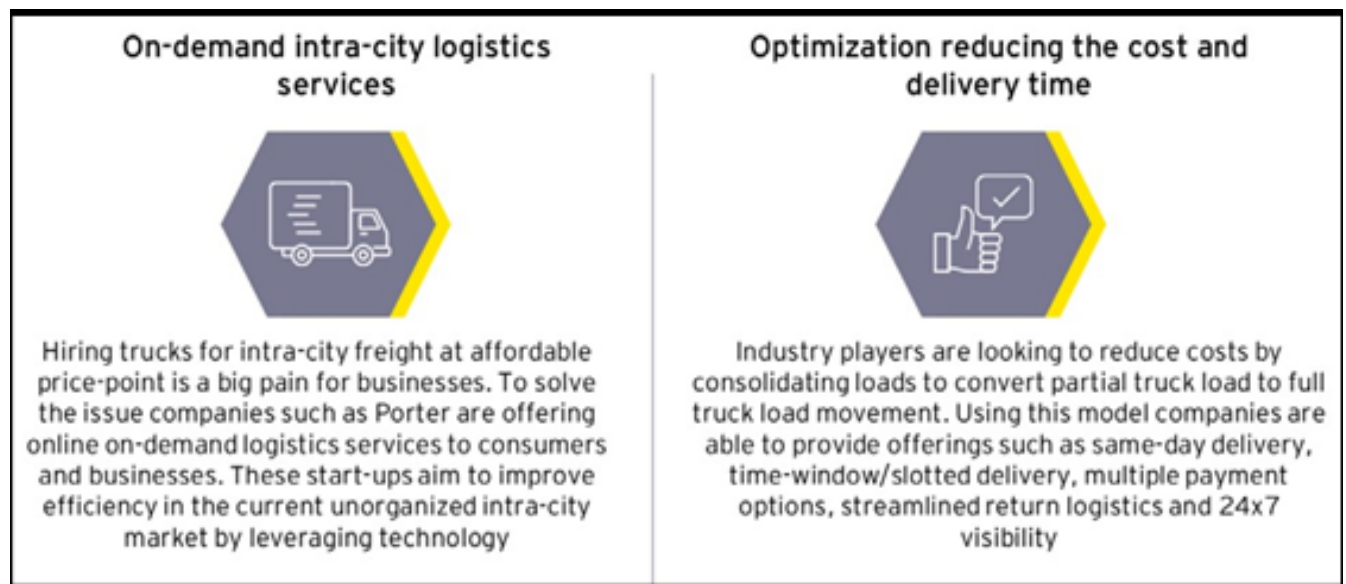
Source: EY India Trends Report 2022

This expansion is being propelled by expanded demand from Tier 2 and below towns due to improved internet penetration in these regions and practice of artificial intelligence, huge data analytics, and blockchain technology to enhance the consumer experience. Also, the D2C market gains further traction and the set-up of platforms that offer end-to-end logistics and fulfillment of customer services, cause this growth.

With the expansion in retail and e-commerce sales, B2B logistics startups are taking onto opportunities to discover technological innovations and outcomes to meet the demands of vast

supply chains and revamp existing conventional logistics firms, from warehousing functions to demand forecasting, provide fleet management services, emphasize how to overcome a broad spectrum of technological disruptions, enhance productivity and transparency, and boost operational and cost-effectiveness. The majority of the start-ups in this sector are aggregators of third-party trackers that facilitate optimized full-scale solutions for clients. Exhibit 29 depicts how Logistic Tech companies are investigating innovative functioning models to enhance the efficiency and productivity of logistics and solve the challenges faced by unstructured industries.

Exhibit 29: Logistic Tech companies' innovative strategies

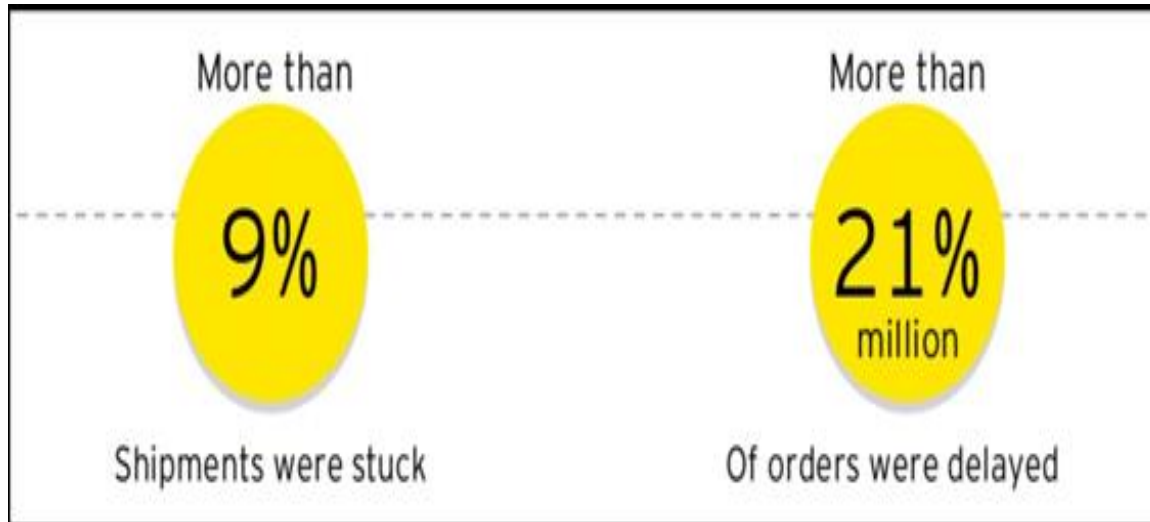


Source: EY India Trends Report 2021

The logistic sector specifically during these crucial times experienced inefficiencies plaguing the industry to the forefront and digital disruption along its full value chain – from freight forwarding, brokerage, long- distance transportation, warehousing, contract logistics, to last-mile delivery. The pandemic followed by subsequent lockdowns impacted India’s supply chains harshly and consequently led to disruptions; however, this helped tech-enabled logistics firms to gain pace to deliver essentials. For example, in the freight forwarding sector, conventional freight forwarders during the pandemic were functioning at 30-40% capacity, whereas a digital logistics firm - Freightwalla could function at 60-70% capacity.

According to the Indian Transport And Logistic News Blog dated October 2020, the Indian logistic sector lost 7.5 trillion due to the pandemic-induced lockdowns, disturbing business cycles and connected supply chains. Exhibit 30 explains this in greater detail.

Exhibit 30: Estimated loss within the Indian Logistic sector due to the pandemic in 2020



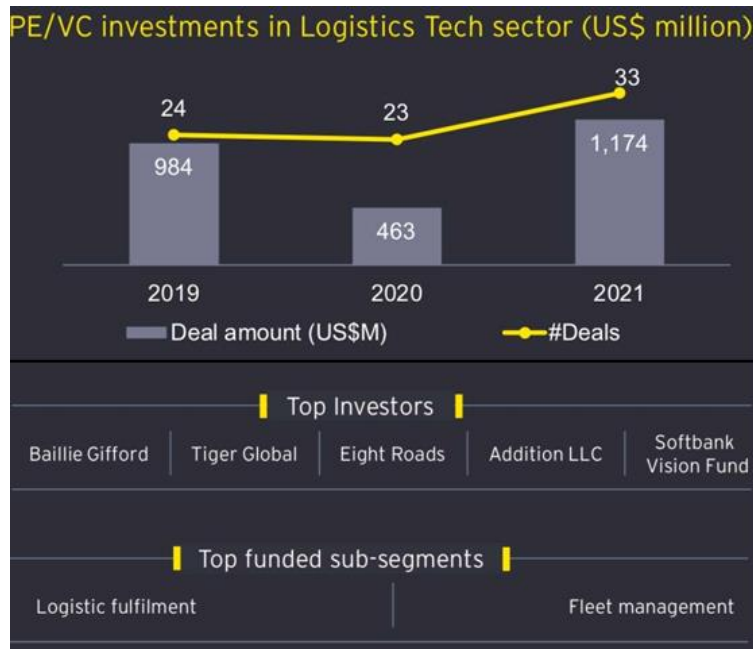
Source: EY India Trends Report 2021

Hence, there is an immediate requirement for tech-enabled, innovation-driven remedies to modify the logistics and supply chain markets. Adoption of Logistics Tech antidotes will boost the surge within industries and investors, along with the substantial gain in digital retail which will consequently lead to further economic growth.

Keeping in mind current pandemic and environmental issues the Logistic Tech companies are focusing on sustainable practices like using e-vehicles for delivery and also emphasizing contactless delivery systems through online payments, online return policies and generation of OTPs.

According to the India Trends 2022 Ernst and Young report, the E-commerce Logistics sector is anticipated to grow at 23.6% CAGR by revenue during FY20 – FY25. This enormous economic opportunity has consequently boosted private equity and venture capital investments in the Logistics Tech industry, which has experienced 2.5 times YoY funding growth and these investment details of private equity, venture capital and mergers and acquisitions are demonstrated in exhibits 31 & 32.

Exhibit 31: Private equity and venture capital investments in the Logistics Tech sector from 2019-21, it's topinvestors and top-funded segments and key deals within the industry



Key PE/VC deals in Logistics Tech sector in 2021

Target and funding	Investors
Delhivery US\$277 million	Baillie Gifford and Company, FMR LLC, GIC Pvt. Ltd., Chimera Investments LLC
NetraDyne US\$150 million	Microsoft's Venture Fund, Point72 Asset Management L.P., SoftBank Vision Fund LP
Delhivery US\$125 million	Addition LLC
SmartShift Logistics US\$100 million	Sequoia Capital, Tiger Global Management LLC, Vitruvian Investments Pty Ltd., Lightrock
ElasticRun US\$75 million	Avataar Venture Partners I, Kalaari Capital Advisors Pvt. Ltd., Prosus Ventures

Source: EY India Trends Report 2022

Exhibit 32: High growth potential in the Logistics Tech sector and investments through mergers and acquisitions



Source: EY India Trends Report 2022



Hyperlocal On Demand Immediate Delivery

The Indian Hyperlocal delivery services market is steered by the soaring volume of start-ups and on-demand delivery choices of the customers. Hyperlocal firms involve a partnership of businesses for their potential clients through a flexible application, for example, Dunzo, Grofers, UberEats etc. Exhibit 33 depicts the multiple types of Hyperlocal services used in the Indian market scenario.

Exhibit 33: Hyperlocal delivery services types



Source: EY India Trends Report 2022

The Hyperlocal delivery services industry has experienced constant growth due to the pandemic and social distancing norms, although in its initial days during the onset of the pandemic the sector encountered some barriers. According to the Ernst And Young India Trends report 2022, the online grocery market experienced a 70% expansion in 2021, while online food delivery witnessed a 19% advancement during the same period. Exhibit 34 explains this further.

Exhibit 34: Estimated growth of online groceries by 2023 and the online food delivery market size

1.2% or US\$10.5b

Of India's grocery sales to be online by 2023

US\$13b

Estimated market size for India's online food delivery

Source: EY India Trends Report 2021

Elements such as an increase in urbanization, tech-savvy consumers and altering customer attitude with transformations towards online shopping experiences contactless delivery and online payments fuelled by the pandemic, deep penetration of internet accessibility to interior regions of the nation, are navigating the advancement of the Hyperlocal industry. Exhibit 35 depicts the primary market drivers steering the development of the Hyperlocal service industry.

Exhibit 35: Primary market forces for developing the Indian Hyperlocal sector



Source: EY India Trends Report 2022

The demand for Hyperlocal platforms experienced a drastic change due to the pandemic. Currently, 23% of the Indian internet subscribers are online shoppers compared to 10% last year. Businesses in the Hyperlocal space are collaborating with e-commerce firms to deliver products to add to customer experiences, assuring security and speed, but also saving time and expenditures related to the supply chain.

Digital technologies like - Geolocation and contextual targeting tools have efficiently steered the e-commerce sector into hyper-localism. Hyperlocal firms utilize artificial intelligence and machine learning skills to concentrate on solving pivotal topics like route planning, calculating optimum time slots and overall servicing costs.

Hyperlocal food delivery platforms such as Swiggy and Zomato faced reduced demands during the beginning of the pandemic, with cafeterias and food joints being shut down and shoppers abstaining from outside food. Hence, these platforms cut down on delivery staff and downsized operations to regulate the decrease in expenditure.

Hyperlocal grocery segments and essential goods delivery services heightened, enabling customers to access commodities and services from the security of their domestic fronts. For example, Grofers observed a 45% enhancement in orders and 18% improvement in order value with the beginning of lockdown. Urban Company also observed a 2.5 times expansion over the pre-pandemic era, approximately 80% of the development coming from first-time users. Exhibit 36 explains the growth pattern of four such hyperlocal firms.

Exhibit 36: Trends of a few Hyperlocal firms


Business Impact of COVID on select start-ups	
Swiggy	Recovered 80-85% of pre-COVID order value in Oct 20; saw FY20 revenue growth of 127%
Zomato	GMV increased from 20% of pre Covid levels in March 2020 to 125% of in Dec-2020
Dunzo	Increased the no. of merchants from 600 in January to 15,000 in September 2020
Urban Company	Registered 30% growth in deliveries from April - November 2020

Source: EY India Trends Report 2021

Listed below are a few digitalization strategies adopted by Hyperlocal firms in exhibits 37 & 38.


Exhibit 37: Hhyperlocal technology adoption strategies

Rise of cloud/ghost kitchens



While the cloud kitchen (delivery only model) market took a dip of 30-35% initially during lockdown, the segment is witnessing an increase in new users coupled with an increase in order value.¹⁹ As the pandemic continues into 2021, more and more restaurants are likely to explore the model to maximize revenue.

Disruption through super apps



The entry of e-commerce players into the hyperlocal segment is paving way for a revolution led by super-apps or multi-platform applications that act as one-stop shop for customer offering services across online retail, payments, healthcare and logistics services in one integrated experience.

Source: EY India Trends Report 2021

Exhibit 38: Hyperlocal growth techniques

Restructuring deliveries

- During the pandemic, firms in hyperlocal space, restructured the management of deliveries and leveraged automation in the process to a greater extent
- Hyperlocal delivery companies are exploiting technology for route optimization, maintaining delivery associate compliance, demand forecasting, order planning and to automate the logistics operations

Changing consumer behavior

- The pandemic has shifted the consumer behavior from value seeking to convenience seeking, leading to daily/weekly and small sized purchases, rather than monthly and large sized.
- India's leading e-com conglomerate has experienced 2x growth in revenue and customers in its hyperlocal delivery platform while clocked 25x increase in hyperlocal orders in 2021²⁰




Portfolio diversification

- Firms in hyperlocal space revamped their strategy by diversifying their product portfolio in order to their enhance growth
- One of the firms in electric e-rickshaw ride sharing business, diversified into hyperlocal delivery business, creating an option for their driver partners to use e-rickshaws for both ride and delivery business

Focus on building Super App

- Many hyperlocal e-commerce firms are building SuperApp to bundle all their services which can be offered to customers
- India's top business groups are scouting for acquisition targets to offer additional goods and services under their "super app" umbrella



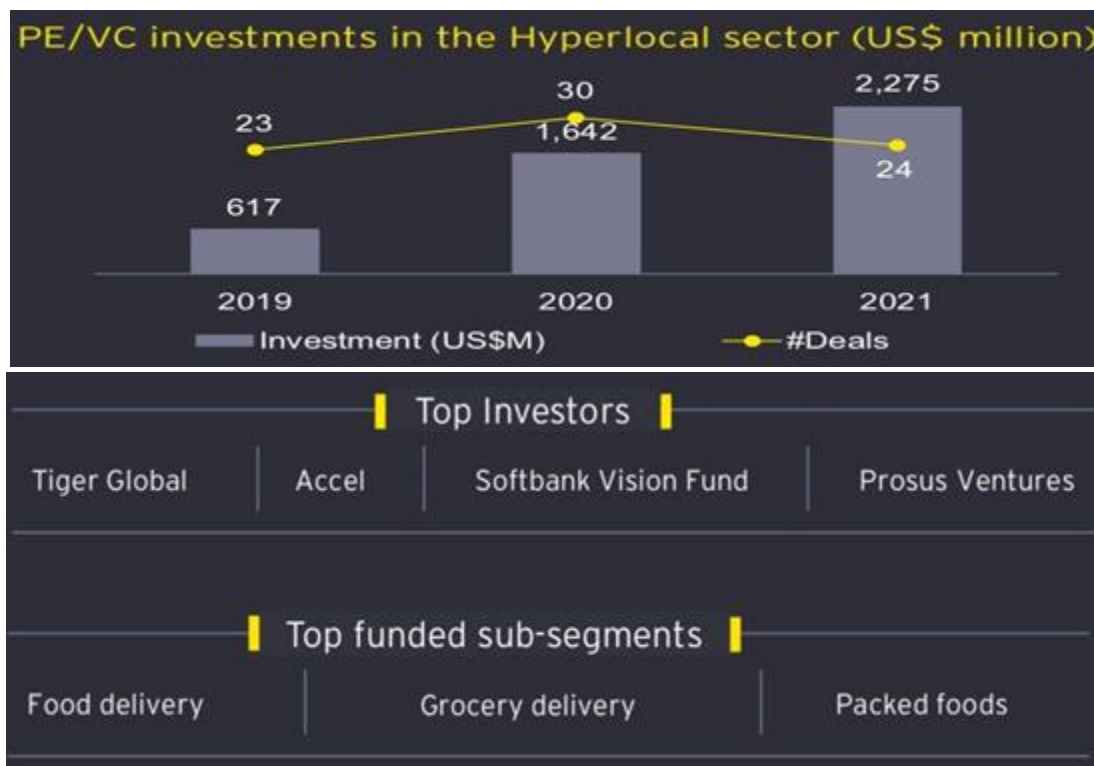

Source: EY India Trends Report 2022

The proposal to enhance the leverage of ‘Kirana shops’ (mom-and-pop stores) to assist reach pin codes across towns, consequently led to increased digitization which is anticipated to enable the expansion of the footprint of such services without the capital-intensive outlay.

The increase in adoption of digital trends namely - blockchain, artificial intelligence, machine learning and big data is anticipated to navigate future development, preparing Hyperlocal firms with the ability of facilitating superfast deliveries along with hyper-personalized consumer experience. While Hyperlocal deliveries experienced a boom during the current pandemic, this online delivery trend is expected to continue in the new normal scenarios even in the post-pandemic world.

The online grocery market is anticipated to prosper at a CAGR of 29% from 2021-26 to reach US\$1,311 billion by 2026. Also, the online food delivery market is predicted to rise at a CAGR of 30% during the same time period to reach US\$1,515 billion by 2026. Exhibits 39 & 40 depict the growth trends in private equity and venture capital investments and the merger and acquisitions deals within this sector during the last few years.

Exhibit 39: Private equity and venture capital transaction activity observed increased investments in 2021 with a focus on food and grocery delivery services and a list of key Hyperlocal deals in 2021



Key PE/VC deals in hyperlocal sector in 2021

Target and funding	Investors
Swiggy US\$800 million	Falcon Edge Capital LP, Prosus Ventures, Accel India IV LP, Think Capital Pvt. Ltd., Amansa Capital Pte. Ltd., Carmignac Gestion S.A., Goldman Sachs Group Inc., The Qatar Investment Authority, GIC Pvt. Ltd.
Swiggy US\$450 million	Softbank Vision Fund 2
Zomato US\$319 million	YV Capital, D1 Capital, Steadview, MVP Fund
Zomato US\$250 million	Tiger Global, Kora Investments, Steadview, Fidelity, Bow Wave, Vy Capital, Dragoneer Group
Zepto US\$100 million	Y Combinator, GFC Global Founders Capital GmbH, Contrary Capital Management II LLC, Glade Brook Capital Partners LLC, Nexus India Capital Advisors Pvt. Ltd., Breyer Capital LLC, Lachy Groom

Source: EY India Trends Report 2022

Exhibit 40: Digitization of unorganized retail makes Hyperlocal attractive for investments with mergers and acquisitions in the Hyperlocal market in 2021, the investment drivers and the key deal rationale

Target	Acquirer	Deal Value
Grofers	Zomato	US\$100 million
Milkbasket	Reliance Retail	US\$40 million
Localbuy	First Cheque	US\$0.8 million

Investment drivers

-  Presence of huge unorganized retail providing a large target addressable market
-  Increasing understanding of consumer behaviour leading to successful business models
-  Potential use of automation and autonomous deliveries to help achieve unit economics



Source: EY India Trends Report 2022

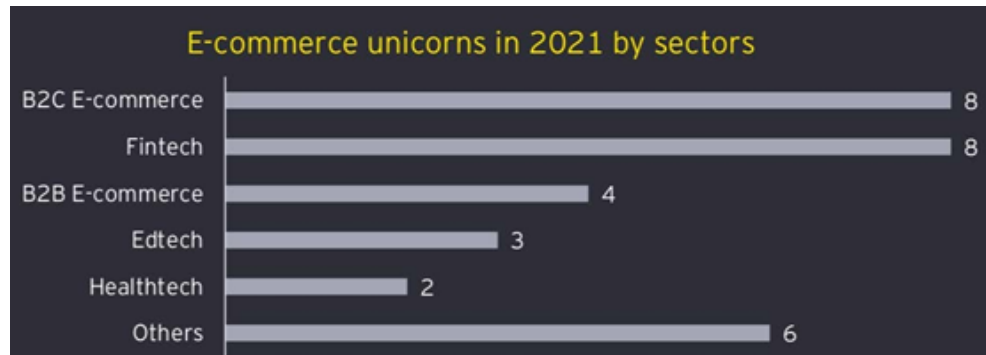
Future Outlook: Convergence Consolidation And Collaboration

The constantly evolving Consumer Internet and E-Commerce Indian industry progresses to mature despite miscellaneous challenges faced namely - inadequacy of consumer confidence in terms of the product quality of goods purchased online, skepticism about the safety of online payment modes and the initial stages of the pandemic crippled demand and operation systems and catering to altering customer requirements and market dynamics. This sector is now broadening its avenues to tap tier II and tier III towns along with global level expansion and anticipates hyper growth in the future.

Innovation strategies and capital investments play a crucial part for the expansion of this industry, hence venture capital and the private equity ecosystem prove to be extremely significant. India offers stimulating opportunities to do business, flexible government regulations and a soaring demand for digital services, which is building India into a suitable destination for an influx of investments from global investors.

India is evolving to be a unicorn hub, led by E-Commerce and Consumer Internet start-ups. The Indian start-up ecosystem saw 46 unicorns in 2021, greater than doubling the total number of unicorns to 90. Exhibits 41 & 42 depict the sector-wise growth of unicorns in this industry in 2021 & 2022.

Exhibit 41: E-Commerce and Consumer Internet unicorns in India



Source: EY India Trends Report 2022

Exhibit 42: Growth in E-Commerce and Consumer Internet Unicorns in India



Source: EY India Trends Report 2022

The E-commerce and Consumer Internet industry in India have observed enormous expansion in the past few years, as some sectors namely B2C e-commerce, payments and Hyper-local continue to mature while others like agritech and social commerce are rapidly scaling. The new generation of entrepreneurs developing premium digital platforms, products and services are further stimulating the advancement of the industry. The Indian Government initiatives like Start-up India, Digital India and Aatamanirbhar Bharat concentrate on creating a constructive regulatory business environment.

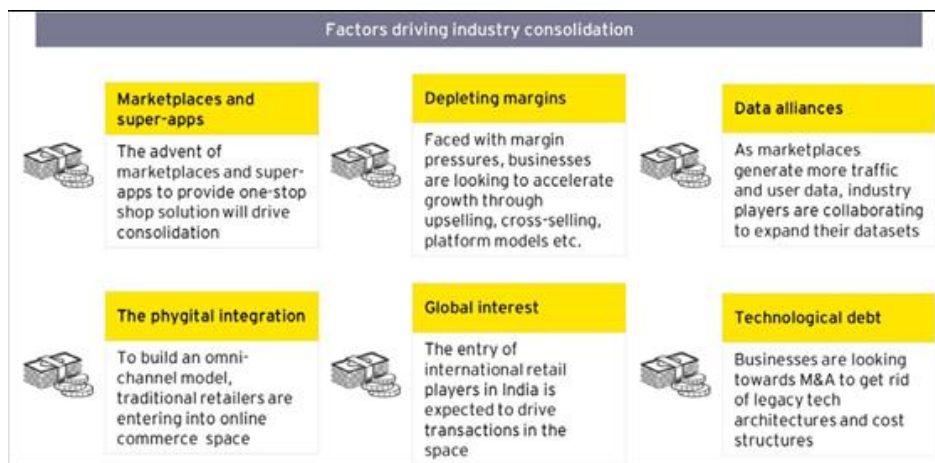
Even before the pandemic, market leaders could foresee consolidation trends playing out in the e-commerce space. Venture capitalists are more reluctant in handing out huge investments due to

their past knowledge of hazardous risks involved with high-profile valuations being weakened when attempting to go public, along with a change in strategy from 'growth-at-all-costs' investments to increased emphasis on unit economics and path to profitability.

This tendency has accelerated the mergers and acquisitions trend. 2020 witnessed more than 90 mergers and acquisitions deals in the Indian Consumer Internet and E-Commerce sector, valued at US\$3.6 billion. These business activities were due to the B2C e-commerce, FinTech and payments vertical, which jointly accounted for more than 70% of the total deal value. EdTech and HealthTech sectors also observed a robust development in mergers and acquisitions business activity, as the bigger market leaders leveraged inorganic development to capitalize on the expansion opportunities created by the pandemic.

Significant benefits can be generated when a collaboration of acquisition is accomplished in an appropriate manner – accelerated growth, enhanced revenue gains and entry into global markets. Multiple components impacting this accelerated tendency are brought about by both vigilance in investors and high-growth companies diving to a higher plane. Exhibit 43 depicts the factors which promote industry consolidation actions.

Exhibit 43: Elements which steer industry consolidation trends

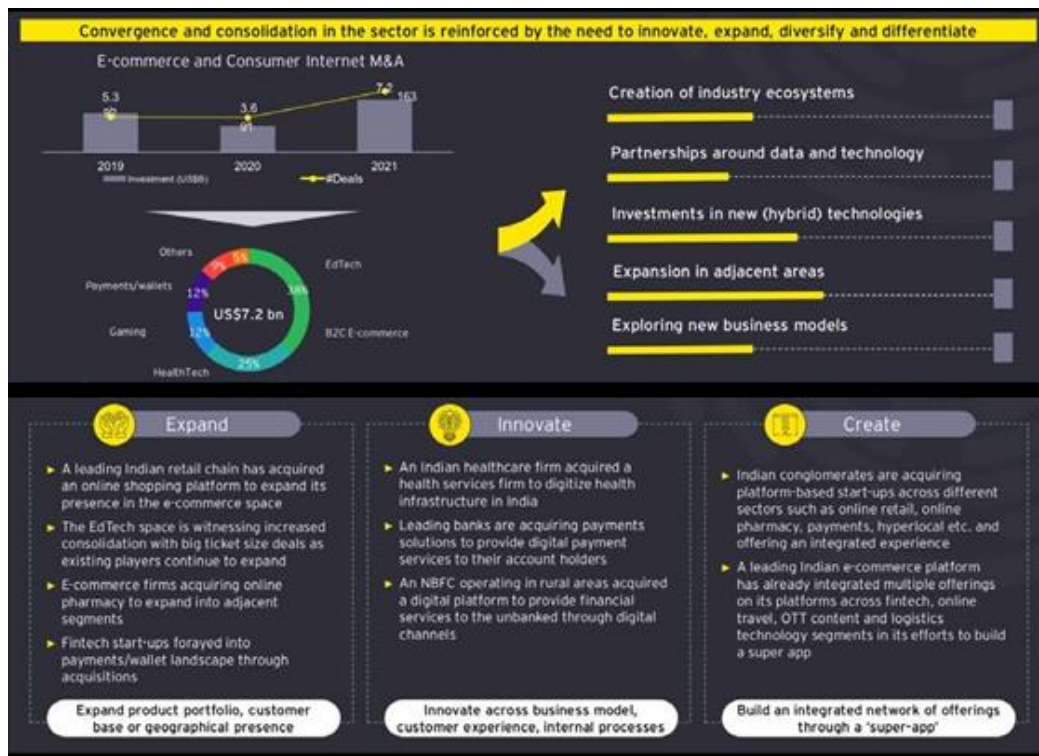


Source: EY India Trends Report 2021

Consolidation seems to be the successful principle operating across numerous e-commerce sectors as business players resumes navigating inorganic expansion through partnerships, acquisitions and alliances. The primary factors for enhancing mergers and acquisitions business activity include acquisition of technological skills, proliferation into new global markets and the diversification of portfolio. In 2021, the E-Commerce and Consumer Internet sector witnessed heightened mergers and acquisitions deals as industries bounced back to progress and strategic

investments and collaborations returned to their business program. Exhibit 44 depicts the growth in these sectors and their innovative business strategies.

Exhibit 44: E-Commerce and Consumer Internet sector growth and it's strategies



Source: EY India Trends Report 2022

Legacy corporations like conventional banks and financial organizations, retail stores, and healthcare and logistics companies are collaborating with Consumer Internet and E-Commerce start-ups to change from a commodity or a service-based firm to a technology-based product or service firm and at times diversify product portfolios. While a few of these conventional businesses are leveraging mergers and acquisitions to penetrate the online markets and improve their whole addressable markets, others are looking to acquire technological skills to digitize their functions, improve the consumer experience, optimize interior business activity and enrich employee experiences.

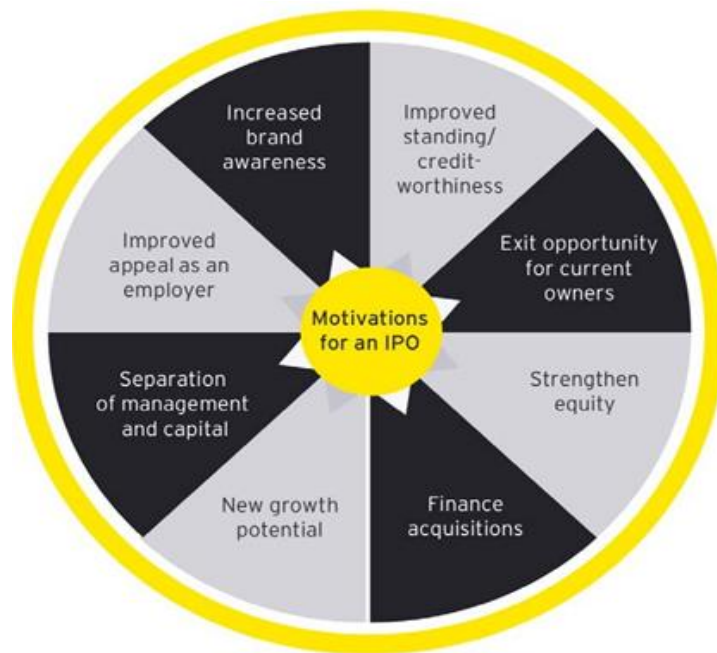
Consolidation has been the active tool by which leading market trend setters in China incorporated themselves in the lives of their buyers, both as the primary source of online purchases and the go-to daily payments platforms for both on-line and offline services by centralizing the shopping procedure from end-

to-end, depending on inventive characteristics like s-commerce and market-commanding manners in payments-adjacent sectors to keep shoppers within their respective ecosystems.

New-age data analytics technologies enable e-commerce merchants to analyze customer data to comprehend their behavior patterns and demand preferences and steer e-commerce sales in the future. Also, the enhancement in social media networks stimulates e-commerce as millennial, which comprises the majority of India's population, are increasingly using such digital platforms to formulate their retail decisions.

Our country has observed a powerful inflow of E-commerce and Consumer Internet IPOs in 2021, across the FinTech, B2C e-commerce, gaming and travel and hospitality segments in 2021, with household names such as Zomato, Paytm and Nykaa entering their stock market debut. A majority of this IPO excitement arises from the consequences of the boost in the valuations of these ecommerce companies, as the pandemic generated enormous demand for video conferencing, food delivery services and online retail shopping. Exhibit 45 depicts the motivation factors for IPO listings.

Exhibit 45: Motivation factors for an IPO



Source: EY India Trends Report 2021

India is currently at an inflection point, with digital adaptation anticipated to observe mass adoption trends. Despite the pandemic, India documented a 13% growth in Foreign Direct

Investment, in 2020 at a time when investment flows decreased in major economies like - the UK, the US and Russia. This advancement was primarily associated with investments in the digital industry. This favorable investment action depicts the international faith in Indian start-ups and demonstrates our nation's capacity to be a game changer in the E-commerce and Consumer Internet industry. Exhibit 46 depicts the growth engines within this industry.

Exhibit 46: India leveraging growth engines within this sector



Source: EY India Trends Report 2022

India is expected to be amongst the dominant E-commerce and Consumer Internet markets across the globe in the future years, both by being a prominent customer of Internet-based products and services, as well as the distinguished originator of firms catering to these demands and competing at an international level.

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Appendix

